

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 15, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Ruben Barcelo

Applicant:	City of San Jose
Allocation Amount Requested:	Tax-exempt: \$23,000,000
Project Information:	Name: Markham Plaza I Project Address: 2000 Monterey Road Project City, County, Zip Code: San Jose, Santa Clara, 95112
Project Sponsor Information:	Name: Markham Plaza I, LP (Core Markham I, LLC; and EAH Markham I, LLC) Principals: Chris Neale for Core Markham I, LLC; and Welton Jordan for EAH Markham I, LLC Property Management Company: EAH, Inc.
Project Financing Information:	Bond Counsel: Jones Hall, A Professional Law Corporation Private Placement Purchaser: U.S. Bank (construction only)/CORE Development, Inc. Cash Flow Permanent Bond: CORE Development, Inc. Public Sale: Not Applicable Underwriter: Not Applicable Credit Enhancement Provider: Not Applicable Rating: Not Applicable TEFRA Noticing Date: February 20, 2019 TEFRA Adoption Date: March 25, 2019
Description of Proposed Project:	State Ceiling Pool: General Total Number of Units: 153 Manager's Units: 1 Unrestricted Type: Acquisition and Rehabilitation Population Served: Family

Markham Plaza I is an existing project located in San Jose on a 1.49-acre site. The project consists of 152 restricted rental units and 1 unrestricted manager unit distributed as 150 studios and 3 two-bedroom units. Building exterior renovations will include wood siding and stucco repair, new roof, repairs to stairs and landings, wall insulation replacement and fresh paint. Interior renovations will include elevator improvements, new plumbing fixtures, new HVAC system and upgrades to the fire suppression system. Individual units will be updated with new refrigerator, range, exhaust hood, kitchen and bathroom countertops and cabinets, doors, lighting, flooring, window blinds, smoke detectors and fresh paint. Site renovations will include concrete repairs, asphalt repaving and parking lot re-striping, new fencing and gates, new signs and mailboxes, lighting, and upgrades to drainage and landscaping. Thirteen units will be remodeled for ADA compliance. The rehabilitation is expected to begin in September 2019 and be completed in December 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (152 units) restricted to 50% or less of area median income households.
0% (0 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 2 bedroom

The proposed project will not be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 48,620,713	
Estimated Hard Costs per Unit:	\$ 45,364	(\$6,940,710 /153 units including mgr. unit)
Estimated per Unit Cost:	\$ 317,782	(\$48,620,713 /153 units including mgr. unit)
Allocation per Unit:	\$ 150,327	(\$23,000,000 /153 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 151,316	(\$23,000,000 /152 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 18,000,000	\$ 0
Cash Flow Permanent Bonds	\$ 5,000,000	\$ 5,000,000
New Seller Carryback Loan	\$ 10,400,981	\$ 10,400,981
Existing Seller Carryback Loan Assumed	\$ 5,403,904	\$ 5,403,904
LIH Tax Credit Equity	\$ 0	\$ 15,632,727
Limited Partner Equity	\$ 1,875,927	\$ 0
General Partner Equity	\$ 0	\$ 1,600,000
Deferred Costs and Fees	\$ 2,356,800	\$ 0
City of San Jose Assumed HOME Loan	\$ 4,739,108	\$ 4,739,108
Reserves	\$ 843,993	\$ 843,993
Santa Clara County Prop A Loan	\$ 0	\$ 5,000,000
Total Sources	\$ 48,620,713	\$ 48,620,713

Uses of Funds:	
Land Cost/Acquisition	\$ 26,015,000
Rehabilitation	\$ 7,600,078
Relocation	\$ 1,501,720
Contractor Overhead & Profit	\$ 416,442
Architectural Fees	\$ 410,000
Survey and Engineering	\$ 320,497
Construction Interest and Fees	\$ 1,387,483
Permanent Financing	\$ 65,000
Legal Fees	\$ 125,000
Reserves	\$ 1,391,231
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 2,892,495
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,885,767
Developer Costs	\$ 4,600,000
Total Uses	\$ 48,620,713

Analyst Comments:

None

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points:

75 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$23,000,000 in tax-exempt bond allocation.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Preservation Project	20	20	20
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
Total Points	140	110	75